

Single Process Initiative (SPI)

GUIDANCE FOR ARMY COMPONENT TEAM LEADERS

**A Practical Guidebook & Lessons Learned
for
Army Team Leaders and Team Members**

October 1996

**U.S. Army Contracting Support Agency
5109 Leesburg Pike, Suite 916
Falls Church, VA 22401-3201**

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I. Purpose. The SPI is a key component of the DOD Acquisition Reform Initiatives to move towards performance based contracting with industry using best practices and commercial processes in lieu of military standards and specifications. The implementation of common processes at a contractor's facility requires the joint efforts of industry, the Defense Contract Management Command (DCMC), the Defense Contract Audit Agency (DCAA), Program Executive Officers/program managers (PEO/PM), buying commands, and other Defense acquisition organizations that award contracts with industry. This guidebook is intended to provide Army SPI participants a comprehensive understanding of the SPI, to include policy guidance published to date, an overview of the process, and lessons learned based on participation of Army personnel that have been involved in the process. The guidebook provides "how to" information for both Army Component Team Leaders and others in the Army community involved in the SPI process to ensure their participation is both proactive and effective. The proponent for this guidebook is the U.S. Army Contract Support Agency, Attn: SFAE-CSA-COT, 5109 Leesburg Pike, Suite 916, Falls Church, VA 22401-3201.

II. SPI Background

A. Overview.

1. Beginning with issuance of the "Perry Memo" in June 1994, the DOD began to focus on specifications and standards reform as a major part of the Acquisition Reform Initiatives. However, the elimination of Military Specifications and Standards, developing performance specifications, eliminating unnecessary functional requirements, reducing Government oversight, implementing Integrated Product and Process Development, and other aspects of Specs and Standards reform were focused primarily on new acquisitions. The benefits of specs and standards reform will not be fully realized unless action is taken to address the hundreds of existing contracts which still include provisions for compliance with military specs and standards, often with multiple, burdensome requirements for similar processes at each contractor facility.

2. The problem with existing contracts is that all three Services, and buying activities within the Services, have imposed different requirements for similar manufacturing and management processes. This caused increased costs, burdens in contract management and administration, and results in multiple, redundant, overlapping and/or non-value added requirements. The solution to this problem is to allow contractors to adopt common processes/commercial practices on a facility-wide basis capable of meeting each customer's requirements. The Administrative Contracting Officer (ACO) issues a Block change modification to incorporate the single process into all existing contracts at the contractor's facility. The objective is to allow contractors to use best commercial practices; thereby eliminating multiple, redundant, and non-value added requirements and reducing costs.

B. Policy and Guidance. A review of the initial policy and guidance implementing the SPI is helpful in understanding the evolution of this process and as reference material. These memoranda are described and listed in chronological order.

1. SECDEF Memo, 6 Dec 95, Subject: Common Systems/ISO-9000/Expedited Block Changes. In this memorandum the Secretary of Defense directed that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such changes are technically acceptable to the Government. The Under Secretary of Defense for Acquisition and Technology was charged with issuing additional guidance necessary to replace Government-unique requirements in existing contracts with uniform requirements within the contractor's facilities (Appendix A).

2. USD(A&T) Memo, 8 Dec 95, Subject: Single Process Initiative. This memorandum directed the use of an expedited, streamlined approach to evaluating contractors' proposals for single processes. The general roles and responsibilities for the SPI and a 120-day process was defined for accomplishing block changes to existing contracts. DCMC ACOs were given the authority to execute class modifications to implement these processes (Appendix B).

3. CMDR DCMC Memo, 11 Dec 95, Subject: Adoption of Common Processes at Defense Contractor Facilities. This memorandum defined the DCMC roles and guidance for the block change process (Appendix C).

4. ASA(RDA) Memo, 21 Dec 95, Subject: Common Process Facilities Initiatives. The Army Acquisition Executive provided early implementing guidance for Army activities. It described the establishment and responsibilities of an Army Component Team Leader coordinating the evaluation of contractor single process proposals and block changes with Army customers. The Deputy Assistant Secretary of the Army, Procurement, DASA(P), was identified as the focal point for Army participation in the process (Appendix D).

5. DCMC Single Process Initiative Information Sheet (SPI-IS 96-1 through 96-6). The DCMC has been issuing SPI Information Sheets (SPI-IS) to assist in understanding the SPI and Block Change process. Although these are not official policy, they are intended to provide information for DCMC personnel on various aspects of implementing the SPI. They are useful for Army participants to better understand the process and are therefore included in this guidebook (Appendix E). Note that 6 Information Sheets have been issued as of 22 July 1996, and additional sheets may follow. SPI Information Sheets and additional information on the SPI can be found on the DCMC SPI Internet Home Page at http://www.dcmc.dcrb.dla.mil/spi/f_block.htm (Appendix E).

6. USD(A&T) Memo, 3 Sep 96, Subject: Prime and Subcontractor Relationships in the Single Process Initiative (SPI). This memorandum provided follow-up SPI guidance on implementing process changes to a participating prime contractor's subcontracts with other primes.

III. Understanding the SPI Process

A. The DCMC Management Council

1. Purpose and Objectives of a DCMC Management Council. The DCMC has been designated as the lead Government facilitator in implementing plant-wide changes to common or single processes. The local DCMC plant or area office therefore has primary responsibility for administering the SPI process at each contractor facility. The forum to accomplish this is through a Management Council, which is established and chaired by the local DCMC Commander. The primary role of the Management Council is to facilitate the receipt, evaluation, and acceptance of Concept Papers, which describe common processes the contractor proposes to adopt on a facility-wide basis.

2. Membership on a DCMC Management Council. The Management Council will consist of senior representatives from the local DCMC office, the DCAA office, the contractor, an SPI Component Team Leader from each Service, and representatives from customer organizations that have active contracts at that facility. Key customers (e.g., PMs, buying commands) with significant contract activity at the facility will normally already have a working relationship with the local DCMC office prior to SPI Management Council activities. While the Management Council is convened to reach consensus on block changes, it is important to note other actions and topics may be brought before the Council as well. Since this is an integrated team with customer, contractor, and DCAA representation, the forum is commonly used to address DCMC Reinvention Laboratory activities, Process Oriented Contract Administration Services (PROCAS), and other contract administration activities of mutual interest to DCMC customers.

3. Management Council - Lessons Learned

a. In participating in SPI Management Councils, the question of what constitutes the contractor's "facility" at which proposed single processes apply must be addressed. The contractor may have multiple facilities within its organization which are not collocated. In some cases there can be different DCMC offices responsible for contract administration of these facilities. In other cases the company may allow for different management and manufacturing processes at its various locations (e.g., operating units, divisions, subsidiary operations) as a normal way of doing business. It is important up front to establish precisely what facility location(s) the contractor's proposed single processes apply, as this may impact customer and DCMC representation on the Management Council as well as the list of applicable contracts..

b. As of September 1996, where there is a local DCMC office (former DPRO) at a major contractor's facility, you will normally find a Management Council has already been established (either for Reinvention Laboratory, PROCAS, and/or SPI activities). In the case of a DCMC office responsible for many contractors over a wide geographic area (former DCMAO) this may not be the case. In those instances, the area DCMC office has sent letter invitations to contractors under their cognizance encouraging SPI participation. If this is the case, as an Army Component Team Leader or Army customer it is likely a Management Council will be organized and convened only when Concept Papers are submitted. In other words, if the local DCMC is an area office responsible for a large number of contractors, SPI coordination and communications may be less mature than at a DCMC plant office.

c. In practice, the SPI Management Council Army representatives tend to be senior customer officials; however, it is important that Army customers call on or otherwise involve subject matter experts from their organization or the supporting organizations that provide matrixed functional expertise to ensure the thorough evaluation of proposed single processes. It may be necessary to invite these subject matter experts to Management Council meetings as appropriate and for working group meetings where issues, questions, and concerns are resolved prior to presentation of Concept Papers as appropriate.

B. Army Roles in the SPI

1. Army Component Team Leader.

a. Process for Appointing an Army Component Team Leader. When a DCMC office initially establishes an SPI Management Council and/or receives a proposed Single Process Concept Paper(s) from a contractor, the local DCMC Commander will take action to establish an SPI Component Team Leader from each Service. For the Army, the DCMC office will notify the Army SPI Program Coordinator and identify the key Army customer(s) that have significant contract activity at that facility. The Army SPI Program Coordinator, acting on behalf of the DASA(P), will notify the largest Army customer, in writing, requesting a nomination for the role of Army Component Team Leader. That Army activity, be it PEO/PM organization or buying command, will nominate an individual to serve as the lead for all Army customers in the evaluation of Concept Papers, proposals, and to sit on the Management Council. Nomination letters for Army Component Team Leaders will be forwarded to the SPI Program Coordinator for approval and formal appointment by the Army Acquisition Executive (AAE). The nomination and appointment of Army Component Team Leaders must be expedited in the shortest time possible.

b. Considerations for Selecting an Army Component Team Leader. The appointment to the role of SPI Army Component Team Leader necessitates a strong management commitment to the implementation of the Acquisition Reform Initiatives in

general, and to the success of the SPI in particular. The responsibilities assumed in this role as a “spokesperson” for the Army requires the nomination of an individual that is, (1) a senior official empowered to serve the best interests of all Army customers in this process, (2) willing and able to fulfill the commitment of time and effort to attend Management Council meetings and be directly involved in SPI activities, and, (3) committed to dedicating effort in coordinating SPI activities between all applicable Army customers. In practice, Army Component Team Leaders have generally been senior PEO/PM management officials or senior management staff personnel from a buying command. In most cases the Army Component Team Leader is supported by an Action Officer that assists in the administration and execution of the Team Leader’s responsibilities.

c. Responsibilities of the Army Component Team Leader. There are 5 primary responsibilities of the Army Component Team Leader: (1) to sit on the local DCMC SPI Management Council as the lead representative from the Army, (2) to assist the DCMC office in coordinating and facilitating the Army customers’ participation in the Management Council/assessment of Concept Papers/evaluation of proposals, (3) to represent all Army customers in the final acceptance of proposals, (4) to consolidate the Army priority list for any “Consideration” proposed by the contractor resultant from instant contract savings (if applicable), and (5) to resolve disagreements between Army customers and/or develop the Army position on disputed issues between the other Services.

d. Army Component Team Leader Lessons Learned.

(1) Establishing the Army Customer List. Once appointed an SPI Army Component Team Leader, the first action needed is to immediately obtain a mailing list of all Army customers from the local DCMC office’s ACO. The list of Army customers may include PEO/PM managed organizations, buying command technical directorates/organizations, and other Army activities. In some instances the list obtained will not be all inclusive in identifying all points of contact that represent the Army customer base. Not only are technical points of contact needed, but Procuring Contracting Officers (PCOs) from the servicing acquisition centers/contracting activities should be identified for both weapons systems and spare parts procurement. Some effort will be expended in contacting each Army activity to obtain valid points of contact, mailing addresses, fax numbers and email addresses. Expanding the initially provided customer list to include all parties impacted by the implementation of single processes at a contractor’s facility is a value-added task beneficial in keeping the effected Army community informed of SPI initiatives.

(2) Identifying Functional Subject Matter Experts. The Army Component Team Leader will need to ensure that a core group of functional experts is established to provide technical expertise in the evaluation of management and manufacturing process changes proposed in the Concept Papers prepared by the contractor. While each customer organization will involve its subject matter experts, an Army Component

Team Leader will find that soliciting the support of a cadre of functional experts, to provide support on an as required basis, will assist him in his role as the Army lead.

(3) Communications with DCMC and Army Team Members. Perhaps the weakest aspect of implementing the SPI is in maintaining effective communications on SPI activities within the Army customer community. Once the Army customer POCs have been established, the Army Component Team Leader should send a memorandum to all Army customers. The initial memorandum issued by the Army Component Team Leader should advise all Army customers of his appointment as the SPI Army Component Team Leader, outline planned Management Council meetings, provide details on any ongoing evaluation activity on Concept Papers, and solicit their support and active participation in SPI activities. It is beneficial for the Army Component Team Leader to issue reminder memoranda to Army customers on every occasion the local DCMC office distributes Concept Papers for evaluation, sends notices of Management Council meetings, distributes block change modifications or correspondence on other SPI initiatives. It is equally important that the Army Component Team Leader maintain frequent contact with the local DCMC Commander and/or ACO to keep abreast on the latest developments and status of SPI activity at the contractor's facility.

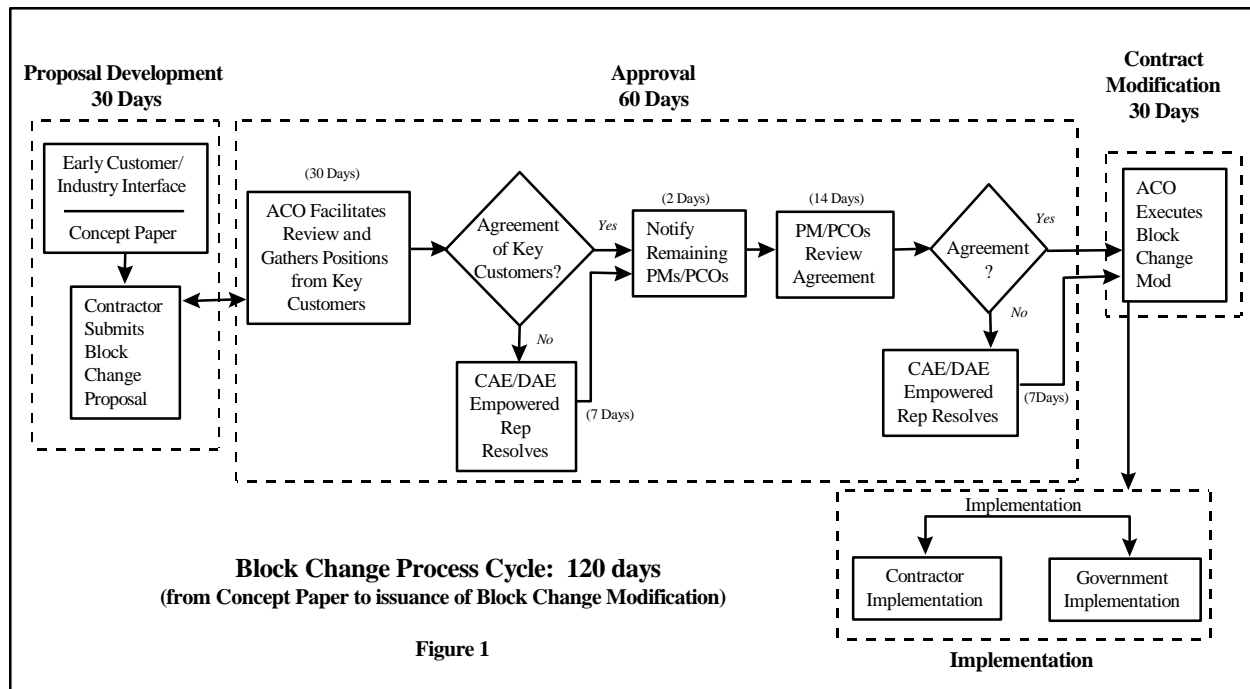
(4) Status Updates for DASA(P) SPI Program Coordinator. It is essential that the DASA(P) SPI Program Coordinator be kept informed of SPI activities for each contractor facility. This is particularly important where there are significant disagreements within the Army customer team or between the Services; however, it is good practice to keep the SPI Program Coordinator informed of all SPI activity at the facility, the successes and accomplishments as well.

2. Army Customers. Army organizations that have active contracts with a contractor participating in the SPI must be proactively involved in the process. It is incumbent on Army customers to (a) participate in the local DCMC SPI Management Council as a customer representative, (b) be responsive in providing input for the technical assessment of Concept Papers and the evaluation of proposals, (c) be responsive to the Army Component Team Leader in the final acceptance of proposals and working issues for resolution, and (d) be a team player for the success of the SPI. Army PEO/PM and buying command customers must ensure their PCOs are kept well informed of SPI activity to include the issuance of block change modifications that impact their contracts. Initial implementation guidance on the SPI directs the involvement of only key customers early on in the process. In some instances this has resulted in Army customers being left out of the communications loop in the review/approval of Concept Papers, or block changes executed affecting their contracts without their knowledge. Certainly key customers have the most at stake in terms of impacts from process changes at contractor facilities; however, all Army customers should be aware there is an SPI process ongoing at a contractor facility, know who the Army Component Team Leader is, be kept fully informed on progress, and have an opportunity to participate to the extent practical.

3. Army SPI Program Coordinator. The DASA(P) has been delegated by the AAE with the responsibility of managing the Army's participation in the SPI. An Army SPI Program Coordinator in his office has been assigned as the single point of contact for this effort. The Army SPI Program Coordinator shall (a) develop and disseminate Army policy and guidance on the SPI, (b) serve as the Army focal point to DCMC for establishing Army Component Team Leaders, (c) notify the largest Army customer, in writing, requesting a nomination for the role of Army Component Team Leader, (d) receive Army Component Team Leader nominations from the field, (e) notify the DCMC of the appointment and forward the appointment letter to the Army Component Team Leader, (f) keep abreast of SPI activities and status at contractor facilities that have Army customers, and (g) elevate problems, concerns, or issues within Army customer teams or between Services to the DASA(P) once it becomes clear an impediment exists. The Army SPI Program Coordinator is Mrs. Marilyn Harris-Harpe, U.S. Army Contracting Activity, Attn: SFAE-CSA-COM, 5109 Leesburg Pike, Suite 916, Falls Church, VA 22401-3201.

C. Block Change Process

1. Process Overview. There are three basic steps to the process of eliminating the multiplicity of military specs and standards imposed at a contractor facility and facilitating the contractor's adopting of common processes/commercial practices on a facility-wide basis. **Step One** is the identification of proposed common processes that are candidates for implementation across the contractor's facility. These proposed common processes are documented in "Concept Papers" which are brought before the local SPI Management Council. **Step Two** is the joint evaluation and approval of these Concept Papers by the Management Council. **Step Three** is the execution of a Block change modification to implement the approved processes across all applicable contracts. The initial implementation guidance from Dr. Paul Kaminski, DUSD(A&T), established a cycle time goal of 120 days from the establishment of Concept Paper(s) to the execution of a Block change modification. The process flow provided by the DUSD(A&T) is a guide. In practice, the process steps will vary between facilities depending on the organization and procedures implemented by the local SPI Management Council. What must be adhered to, to the extent practical, is the 120-day cycle time goal from establishment of a Concept Paper to the date of the Block change modification. The expeditious implementation of technically acceptable single processes can significantly decrease the costs of performance and facilitate the realization of the full benefits of the Acquisition Reform Initiatives. The Block Change Process Flow Chart is shown at Figure 1.



2. The Development and Evaluation of Concept Papers

a. **Genesis of Contractor-Developed Concept Papers.** Once a contractor has committed to participation in the SPI, the first step is to assess areas where there is potential for adaptation of a common or single process. One starting point being used in practice are the areas reported as primary cost drivers in doing business with the Department of Defense (DOD) from the Coopers and Labrand study of 1994. There are obvious candidates for conversion to single processes when an objective assessment is made of the multiplicity of military specs and standards and duplicative requirements that are imposed on existing contracts by different customers for the same management and manufacturing processes. Based on all SPI activity as monitored by DCMC, the most frequent proposed process changes include the requirements for the quality system, electronic manufacturing, configuration management, calibration standards, material review, cost data reporting, military soldering, subcontractor approval, property management, and test requirements.

b. **Contents of Concept Paper.** The contractor is responsible for preparing the Concept Papers for recommended process changes. A definitive Concept Paper includes elements needed to effectively evaluate a proposed change and allows for rapid assessment by the customers, Management Council, and ACO. The format may vary from contractor to contractor and the data required can be tailored to meet the needs of the local Management Council. In practice, Concept Papers are generally 2-5 pages in length. The following are common data elements found on Concept Papers:

(1) **Process Title and Assigned Sequence Number** – Establishing a discrete subject title and sequentially numbering Concept Papers facilitates tracking.

(2) Proposed Process Description – a summary description of the recommended process change.

(3) Existing Process Description – a summary description of the existing process requirements imposed by customers is useful for comparative analysis to the proposed change.

(4) Implementation Approach – the methodology for moving to the proposed common process and a schedule for transition. Understanding how the contractor proposes to maintain quality and his approach to scheduling the implementation of the new process is essential to ensure performance and requirements are maintained during the transition period.

(5) Rough Order of Magnitude (ROM) Cost Benefit Analysis – a ROM estimate of current and future net cost savings to determine if implementation is advantageous (cost effective) to the Government. Net cost savings are referred to as there may be initial costs associated with implementation.

(6) Risk – identify the risks associated with implementing the process change to both the contractor and the Government.

(7) Waivers Required – identify any Federal Acquisition Regulations (FAR) or regulatory waivers necessary to allow for implementation of the process change.

(8) Programs/Contracts Impacted – identify the customer programs with contracts that are likely to be effected by the process change. Include all prime contract numbers if they can be identified at the time the Concept Paper is developed. The contracts listed should include candidate Government contracts for change implementation on which the contractor is a subcontractor, with the applicable prime contractor named, the subcontract number, and the cognizant ACO.

(9) Points of Contact – identify names and phone numbers of the contractor and DCMC subject matter experts or focal points that can be contacted to address technical questions regarding the proposed process change.

c. Joint Development of Concept Papers. Enough cannot be said about the first step in the process flow chart shown at Figure 1, “Early Customer/Industry Interface,” in developing Concept Papers. This is the key element on the critical path for successful acceptance of process changes and timely execution of block change modifications within the 120-day cycle time. A proven way to avoid the inevitable series of customer objections, concerns, questions, and clarifications that delay the process is the early involvement of the local DCMC, DCAA, customers and the Management Council when the contractor is contemplating process changes as

candidates for Concept Papers. Once process changes are contemplated, joint working level meetings of subject matter experts representing all parties have done well to address the issues, reach mutual understanding and consensus on the more significant types of process changes. In effect, investing more time in jointly developing Concept Papers with key customers will significantly shorten the approval of Concept Papers by the Management Council. Not all process changes are technically complex or subject to potential disagreement, therefore, the early effort invested in the joint development of Concept Papers may vary from process to process.

d. Review and Evaluation of Concept Papers. Once a Concept Paper is formalized, the contractor will submit it to the ACO. The ACO will make distribution to all Service customers and the local SPI Management Council members, requesting review, comments, and concurrence. It is important to understand that a Concept Paper can be characterized as a concise executive summary. As such, it will not address every detail, answer every question, nor include the contractor's operating procedures or written internal policy manuals that may be associated with a new process change. As previously stated, if key customers have been involved in the development of the Concept Papers then the review and evaluation process can be relatively painless and executed in an expedited manner. All concurrences from Army customers should be provided directly to the ACO. Questions can be directed to the subject matter expert points of contact shown on the Concept Paper. Army customer concerns and issues must be forwarded to both the ACO and the Army Component Team Leader.

e. Resolution of problems or Disputes Between Army Customers. It is the responsibility of the Army Component Team Leader to work the issues and resolve differences between Army customers for approval of Concept Papers, proposal evaluation issues, and block change modifications. The Army Component Team Leader has the authority to resolve disagreements between affected Army customers and to develop the Army position on disputed issues. When problems, concerns, issues or impediments warrant the attention of the DASA(P), the Army Team Leader shall immediately notify the Army SPI Program Coordinator.

f. Resolution of Problems or Disputes Between the Services. If there is disagreement among Service Components, the issue must be raised to a level within the Department as designated by the Defense Acquisition Executive (DAE). The Army Component Team Leader must elevate the issue as soon as possible through the Army SPI Program Coordinator to the DASA(P).

3. The Block Change Contract Modification.

a. Proposal Evaluation. In the process flow chart shown at Figure 1 and in several SPI policy and guidance documents there are references to the contractor's submission of a proposal. A clarification is needed here, as in many instances the contractor will not prepare a separate proposal. If a Concept Paper documents no

instant cost savings associated with existing contracts, then the Concept Paper is the “proposal,” and the block change modification will be executed based on the Management Council’s approval of that Concept Paper. Future cost savings will be incorporated into the forward pricing rates the contractor uses for bidding on new solicitations. There have been instances however where the Concept Paper has identified instant cost savings for existing contracts at the facility. In this case the contractor will prepare a proposal, which will include both the technical content of the Concept Paper(s), cost and pricing data to substantiate the proposed cost savings associated with the proposed processes, a list of the existing contracts for which the savings are applicable, etc. The ACO will make the determination relative to the requirements of the proposal and the extent to which cost and pricing data is required. Where there is a proposal submitted subsequent to the approval of Concept Papers, Service customers will be provided a copy of the proposal from the ACO requesting review and evaluation inputs. The DCMC and DCAA will have primary responsibility for evaluation of proposed costs, rates and factors; while the Service customers normally will focus their evaluation on the technical aspects of the proposed process changes. Army customer proposal evaluation inputs will be submitted directly to the ACO.

b. Consideration. This guidebook includes DCMC SPI-IS 96-3, Subject: Consideration as it Applies to the Single Process Initiative (see Appendix E), which provides a good summary of the ground rules for obtaining consideration in those cases where instant contract savings are proposed by the contractor. Several key points are noteworthy for Army customers and Army Component Team Leaders on this subject. **First**, understand that consideration to the Government applies only when instant contract cost savings are proposed by the contractor for existing contracts. In most cases Concept Papers result in future savings for new awards. In practice, there have been relatively few instances where SPI process changes have resulted in instant contract savings for existing contracts. **Second**, where instant contract cost savings are proposed, there will be a proposal submitted and a process whereby the ACO will be negotiating for consideration in the form of additional goods, services (non-monetary) or adjustments to contract prices. In practice, the basis for determining each Service customers’ share of this consideration has been based on the amount of Unliquidated Obligations (ULOs) associated with the applicable contracts as documented in the DCMC database. **Third**, where consideration is offered in terms of goods and services, the Army Component Team Leader is responsible for coordinating with Army customers to establish the priority list of goods and services and what contracts to which these savings apply. The Army priority list is provided to the ACO. Be cognizant of the fact there are legal implications in dealing with this issue. Care must be given to preclude the augmentation of appropriations (i.e., Miscellaneous Receipts Act, 31 U.S.C. 3302(b)), to ensure that consideration is applied back to the existing contracts that generated these savings. A further aspect for consideration relates to the restrictions from using credits to expired appropriations to acquire additional goods and services (i.e., Bona Fide Needs Statue, 31 U.S.C. 1502(a)). **Fourth**, the ACO will manage the process of consideration in support of the SPI Management Council and the process for handling consideration is complex. For this

reason, it is absolutely essential that PCOs are keep fully informed by their Army customers participating in the SPI.

c. Issuing the Block Change Modification. With Concept Papers approved and proposal evaluation completed (if applicable), the final step in the process is for the ACO to execute the Administrative Block Change Modification. The ACO may provide copies of the draft block modification to SPI Service customers for final coordination. The block modification will identify the process changes to be implemented, the applicable contract numbers of the existing contracts that are affected, the facility locations to which these processes shall be applied, and the terms of any equitable adjustment (consideration) that has been negotiated (only where there are instant contract savings realized). Executing this single modification will incorporate the new processes into all affected contracts without the burden of individually modifying every contract. Although copies will be provided by the ACO, it is essential that Army customers ensure that their PCOs receive a copy of the block modification. In those cases where there is an equitable adjustment (consideration) to selected contracts, the ACO will issue an Administration Contract Modification for each of the affected contracts to incorporate the applicable consideration. The PCO involvement in this process is essential. Having incorporated the process changes in the contracts, the final implementation of the common processes can be achieved.

Prime and Subcontractor Relationships in the SPI. When a contractor is proposing specification and common process changes for prime contracts at his facilities, recognize this prime contractor may also be a subcontractor to other primes. The full benefits of adopting single processes may not be fully realized without implementing these changes across all work at the contractor's facility. When a contractor identifies in a Concept Paper other Army contracts for which he is a subcontractor as candidates for applicability of process changes, the Army Component Team Leader shall ensure the Army customers for those prime contracts are contacted and included in the technical review of the process changes. The ACO should ensure that the cognizant DCMC office and applicable prime contractors are consulted as well. When the Management Council and the prime contractor(s) to which the requester (originator of a Concept Paper) is a subcontractor agree on the change, three conditions exist:

(1) If another Government contract must be changed to modify the requirement, the ACO may send the request for contract modification to the cognizant prime contractor ACO along with an assessment of costs or savings. The prime contractor ACO should modify the contract.

(2) If another Government contract does not require modification because the requested subcontract change is only a prime contractor requirement, the subcontractor should be advised to request the change from his prime contractor, without further DOD participation.

(3) No actions taken should in any way relieve a prime contractor of assuring its subcontractors meet the prime contractors' requirements.



THE SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-1000

6 DEC 1995

MEMORANDUM FOR

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE (ACQUISITION AND TECHNOLOGY)
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL,
COMMUNICATIONS AND INTELLIGENCE)
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
DIRECTORS OF DEFENSE AGENCIES

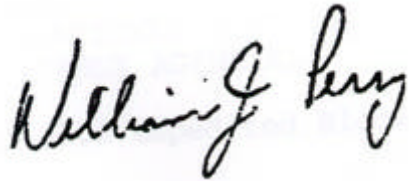
SUBJECT: Common Systems/ISO-9000/Expedited Block Changes

My June 29, 1994, memorandum on Specifications and Standards directed the use of performance specifications to the maximum extent practicable, and the development of a streamlined procurement process to modify existing contracts to encourage contractors to propose non-government specifications and industry-wide practices that meet the intent of military specifications and standards which impose government-unique management and manufacturing requirements. Although much progress is being made in applying these principles on new contracts, this progress has itself shown that government-unique requirements on existing contracts prevent us from realizing the full benefits of these changes by requiring, in a single facility, multiple management and manufacturing systems designed to accomplish the same purpose. Because it is generally not efficient to operate multiple, government-unique management and manufacturing systems within a given facility, there is an urgent need to shift to facility-wide common systems on existing contracts as well.

In order to meet our military, economic and policy objectives in the future, and to expedite the transition to this new way of doing business, the direction given in The Secretary's June 29, 1994, memorandum is hereby revised. In addition to the direction given there for government-unique specifications and standards, I now direct that block changes to the management and manufacturing requirements of existing contracts be made on a facility-wide basis, to unify management and manufacturing requirements within a facility, wherever such changes are technically acceptable to the government. The single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility.

The Under Secretary of Defense for Acquisition and Technology shall issue additional guidance necessary to facilitate the Department's streamlined review of contractor's proposals to replace government-unique management and manufacturing requirements in existing contracts with uniform requirements within the contractor's facilities.

We cannot afford to allow "business as usual" to delay this initiative. I therefore request that you and your leadership take an active role in expediting the transition of existing contracts and reprocurements to common systems.

A handwritten signature in black ink, reading "William J. Perry". The signature is written in a cursive, flowing style. The first name "William" is written with a large, prominent "W". The middle initial "J." is written in a smaller, more compact script. The last name "Perry" is written with a large, prominent "P" and a long, sweeping tail that extends to the right.



THE UNDER SECRETARY OF DEFENSE
3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF DEFENSE (COMMAND,
CONTROL, COMMUNICATIONS AND INTELLIGENCE)
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
DIRECTORS OF DEFENSE AGENCIES

SUBJECT: Single Process Initiative

Secretary Perry's memorandum of December 6, 1995 requested that I promulgate guidance for making block changes to existing contracts to unify the management and manufacturing requirements of those contracts on a facility-wide basis, wherever such changes are technically acceptable to the government. Secretary Perry further directed that the single point of contact for this effort will be the Administrative Contracting Officer (ACO) assigned to a facility. Accordingly, I am providing the following additional guidance on these issues.

Replacement of multiple government-unique management and manufacturing systems with common, facility-wide systems should, in the long run, reduce the costs to both our contractors and the DoD. Contractors will, however, in most cases incur transition costs that equal or exceed savings in the near term. We expect that cases where this does not hold true are in the minority, mostly dealing with high value, long-term contracts. Accordingly, I direct use of an expedited, streamlined approach to ensure that the contractors' proposals of block changes are technically acceptable and to quickly identify those cases where there may be a significant decrease in the cost of performance of existing contracts.

ACOs are directed to encourage contractors to prepare and submit concept papers (see the attached TAB A) describing practices that will permit uniform, efficient facility-wide management and manufacturing systems and a method for moving to such systems. Contractor recommendations included in the concept paper should be accompanied by a cost-benefit analysis adequate to determine the rough order of magnitude of the costs and benefits to the contractor of the proposed system changes (including any impact on the cost of performance of existing contracts). This cost benefit analysis shall be performed without requesting certified cost or pricing data. The detail included in these concept papers/cost analyses is intended to be just sufficient to allow an informed,

rapid judgement by the ACO on whether proposed changes to management and manufacturing processes can be approved on a no-cost, block change basis, applying guidance in this letter.

Where such a proposal is technically acceptable and there are no significant net savings in the cost of performing existing contracts, the ACO, after appropriate consultation with program managers, shall issue class modifications to those contracts without seeking an equitable adjustment. In those cases where the contractor's proposal will result in significant decreases in the overall net cost of performance of existing contracts, the contractor should be asked to submit a formal proposal for an equitable adjustment (consideration) and to submit separate, detailed cost data in support of the proposed amount. The negotiation of equitable adjustments should not delay the modification of contracts.

Note that the specific shift from MIL-Q-9858A to ISO-9000 does not in itself result in significant contractor savings in most contracts, and hence can be made on an expedited basis.

I also direct that, effective immediately, ACOs have the authority to execute class modifications, subject to receipt of necessary programmatic authorization from affected components.

The Commander, Defense Contract Management Command (DCMC) shall approve all requests for certified cost or pricing data in connection with this initiative unless such data are required by law. He will also be the focal point for implementing these efforts within DoD, and will facilitate the coordination of the change process. Tab A depicts the block change process detailing underlying assumptions, roles, and responsibilities.

The Commander, DCMC should prepare for me and for the Component Acquisition Executives a brief quarterly report that describes the progress achieved in replacing multiple government-unique management and manufacturing requirements in existing contracts with more efficient, common facility-wide practices.

Paul G. Kaminski

Paul G. Kaminski

BLOCK CHANGE PROCESS

The block change process depicted here designates DCMC as the lead facilitator to implement plant-wide changes. The process is built on existing structures within the components and OSD and is designed to create a sense of urgency in the approval process for streamlining of specifications, standards or other processes.

PROPOSAL DEVELOPMENT

Industry is encouraged to prepare and submit concept papers for streamlining specifications and standards with emphasis on early customer involvement and interface. Once the cost and benefit of the change has been determined through this early involvement, industry shall submit block change proposals. As a minimum, the proposals should detail the proposed processes and associated metrics, rough order of magnitude cost benefit analysis, the consequent changes in government's involvement in the process and required regulatory/contractual changes.

APPROVAL

Following submittal of the proposal, the Contract Administration Office (CAO) shall determine the contractual/regulatory scope of change, confirm the component customer base impacted and, if required, organize a local management council based on the nature of the proposal. The management council should be comprised of senior level representatives from the local CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor and subject matter experts representing the key customers within the affected components. Notionally, the key customer base shall be comprised of customers who represent 80% of the total dollar value of affected contracts.

ROLES AND RESPONSIBILITIES

The role of the management council is to analyze the merits and cost benefits of the change. Empowerment of subject matter experts from the key customer base is critical. To minimize delay, a component team leader should be designated and granted decision authority by the CAE to represent the key customer base. Component team leaders are responsible for achieving consensus with other component team leaders, the key customer PCOs and PMs, the component team members and the CAE. The CAO should be responsible for facilitating and leading the management council. The ACO will have the contractual authority to execute all block changes. The attached diagram shows the decision process along with timelines expected of this streamlined process.

INTERNAL GOVERNMENT RESOLUTION PROCESS

The objective of this process is to resolve disagreements, facilitate consensus, elevate and resolve issues of substantial concern, and reemphasize the overall goal and objective. If there is disagreement between PM or other customers within a component, the issue must be raised to a level within the service as designated by the CAE. If there is disagreement among the components the issue must be raised to a level within the Department as designated by the DAE. Once resolved, the ACO executes the change.

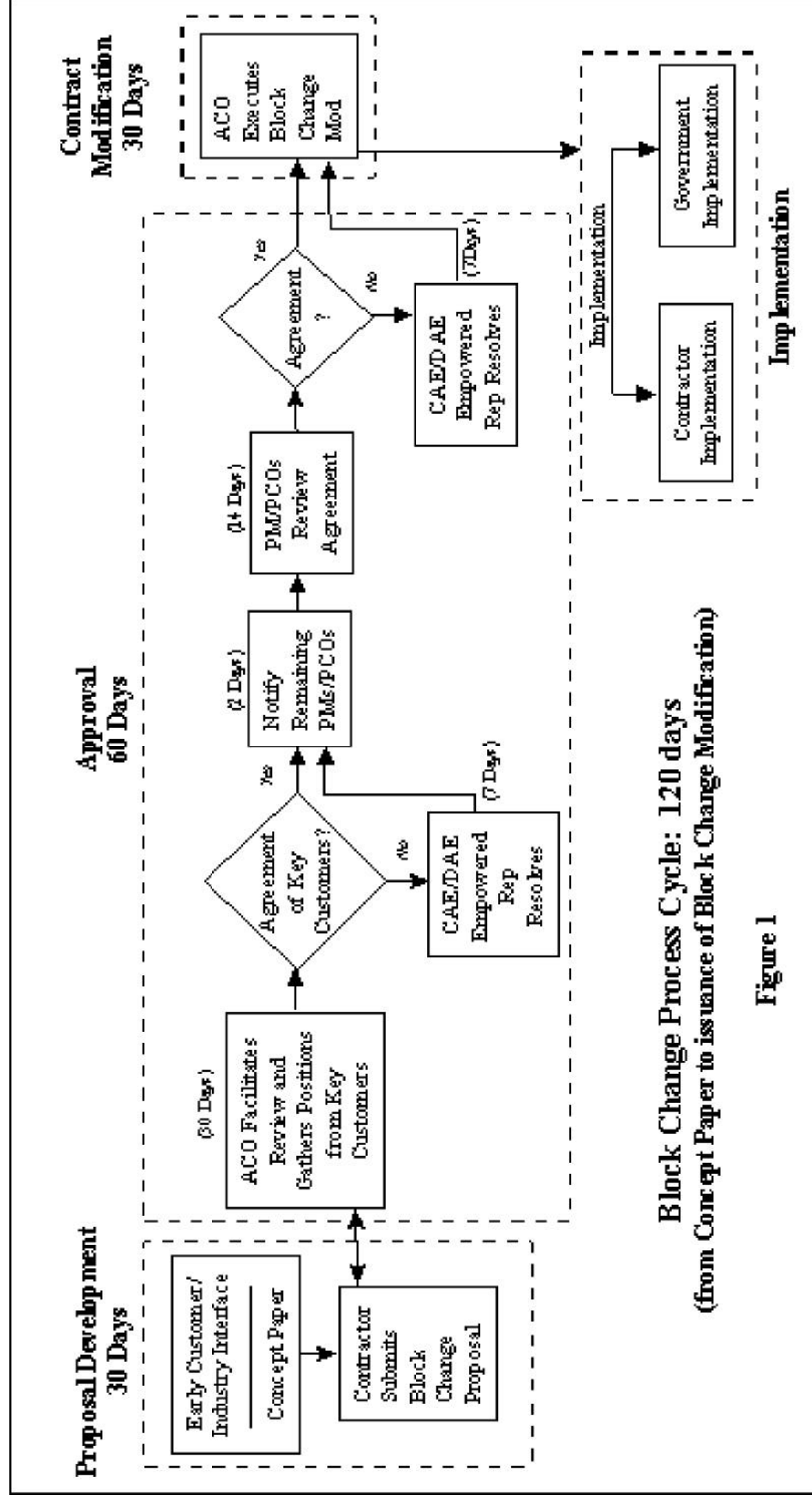


Figure 1



DEFENSE LOGISTICS AGENCY
THE DEFENSE CONTRACT MANAGEMENT COMMAND
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

DEC 11 95



IN REPLY
REFER TO AQ

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS
COMMANDER, DEFENSE CONTRACT MANAGEMENT
COMMAND INTERNATIONAL**

SUBJECT: Adoption of Common Processes at Defense Contractor Facilities

The adoption of common processes by contractors in lieu of multiple, unique DoD standards and specifications is one of the cornerstones of acquisition reform. Recently issued letters by Secretary Perry and Under Secretary Kaminski underscore the importance of accelerating this shift toward facility-wide common processes (Attachment 1). DCMC will play a pivotal role in this major initiative by both encouraging contractors to submit common process proposals and expediting their review and approval.

Common processes are intended to help reduce contractor operating costs, and contribute to cost, schedule, and performance benefits for the Government. Unlike traditional contract specific changes, process changes are intended to cross all contracts at a particular facility. For this reason, and although it is clear that both the Government and contractors can mutually benefit from the adoption of common processes, the review and approval of contractor process change proposals require special technical and cost consideration. Attachment 2 provides further guidance in each of these two areas.

Critical to the success of this effort are communication and coordination with customer buying activities and program management offices. Cost-benefit analysis must be fully explored and coordinated in order to build consensus among all parties on the concept. Each field office should establish a Management Council comprised of contractor, DCMC, DCAA, and key customer representatives in order to facilitate a timely and constructive exchange of information. The field office should work closely with the Management Council to ensure that the concept paper contains sufficient technical and cost information to permit adequate evaluation.

To help promote this initiative and also assist ACOs and other DCMC functional specialists in the review of contractor proposals, we are establishing a Block Change Management Team at HQ DCMC. A draft charter for this team is at Attachment 3. Among other tasks assigned to the team are the development of a "Road Show" package for conducting briefings across the Command, and the establishment of field level SWAT teams that will be available to assist ACOs in reviewing common process proposals.

Should there be any questions, the point of contact is Mr. Frank J. Lalumiere. He can be reached at (703) 767-2412 or DSN 427-2412.

A handwritten signature in black ink, appearing to read "Robert W. Drewes", with a stylized, flowing script.

ROBERT W. DREWES

Major General, USAF
Commander

Attachments

Common Process Block Changes

A block change is a contract modification that implements a common process across all contracts at a contractor's plant. Listed below are some key steps that should be taken to facilitate the proper review and disposition of common process proposals submitted by contractors.

1. CONTRACTOR/CUSTOMER/CAO INTERFACE: The Contract Administration Office (CAO) acts as the primary industry interface, proactively informing contractors about the common process approach, and advising contractors how to prepare and submit initial concept papers and more detailed proposals, if necessary. The concept paper should include a cost/benefit analysis by the contractor, sufficient to identify the rough order of magnitude of the cost and technical impact of the proposed common process change on government contracts. Contractors should be encouraged to consider any common process approach that realizes a cost schedule or performance benefit for both the contractor and the Government. The CAO will notify the key customers when a contractor volunteers to participate in the process. The CAO shall request from the largest component customer in accordance with the Service issued guidance that an individual be designated as the component team leader. After the program office/buying activity identifies the component team leader, the CAO will notify all Service customers who that individual is.

2. CONCEPT PAPER/PROPOSAL REVIEW & EVALUATION: The CAO must perform a review of the adequacy and reasonableness of the contractor's concept paper and supporting cost/benefit analysis. The concept paper should outline the proposed process and planned transition approach. Technical feasibility, cost effectiveness, and program risk are elements that should be fully explored with the contractor.

The CAO should work closely with customer buying activity and program management office customers and the contractor during review. The intent is to expedite a review and determination by the ACO as to whether the change can be approved on a no cost, block change basis. In those instances where it is determined that significant cost savings will result, the ACO, in coordination with the customers, must determine the format and amount of detail required to be included in a more formal contractor proposal. Business judgement should be used to ascertain the required level of supporting documentation.

The proposal should be reviewed by a local team of CAO technical and cost specialists, the cognizant DCAA auditor and the key customers. The contractor should participate in this review and provide any necessary, additional supporting data concurrent with the review process.

3. TECHNICAL CONSIDERATIONS:

- (1) The common process should be sufficiently defined, structured, and documented to permit full evaluation. Customer buying activity programs that are affected in the various Service components or other defense/civilian agencies must be identified.

(2) Among other questions and issues that should be addressed during review of the contractor's proposal are:

(i) Will implementation of the common process be advantageous to the government? Does the common process encourage the use of advanced practices, eliminate nonvalue added requirements, eliminate redundant audits, reduce oversight cost, etc.?

(ii) How will the contractor demonstrate acceptability and reliability of the common process?

(iii) What is the impact on the government and contractor if the common process is approved/disapproved? Has a risk analysis been performed (The technical feasibility of the common process must be addressed in relation to the impact on such areas as quality, maintenance, and life cycle cost.)?

(iv) How will the contractor implement the common process? Will the change be phased in? How does the contractor propose to maintain quality, schedule, etc. during the transition?

(3) The kind and degree of technical review will vary with the complexity of the processes involved. Some process changes may not have a significant impact on quality, maintenance, performance, or life cycle cost. Other process change proposals will present a myriad of technical issues requiring in-depth review by contractor, DCMC, and buying activity personnel. Further, while some proposals may be readily adopted for all contracts on a facility-wide bases, other proposals may be suitable for the majority, but not all government contracts at a particular contractor facility.

For example, the proposed common process might involve the adoption of commercial packaging practices. Prior to approval on a facility-wide basis and modification of all government contracts, a technical review must confirm that there are no special packaging or packing requirements needed to satisfy cold weather storage, salt water exposure, or shelf-life expectancy, etc.

Other common process proposals may require an assessment by contractor, DCMC, and program office personnel of the impact on maintenance, supply availability, and associated costs to the government. Should a common process proposal, for example, introduce multiple variants of a component or system, the government would need some assurance that the contractor could produce sufficient, timely notification of correct configuration information for each variant, down to the piece part level. To the extent that a change introduces more parts, part numbers, or substitutes for original parts, an evaluation of the proposed change must consider whether there is sufficient technical documentation of the parts to permit the government to identify the proper application, and whether the government can properly control and adequately disseminate the information to ensure supportability. Also, the evaluation of some proposals will require an assessment of the need to train government personnel on the changes, and the associated training costs. These kinds of complex, technical issues will surface with greater frequency in situations where end product performance specifications are proposed as substitutes for multiple military specifications. On occasion, however, they may arise during the review of common process proposals submitted by contractors.

4. COST CONSIDERATIONS:

(1) Should the review indicate that the proposed change generates significant savings on an existing contract, consideration should be negotiated for the contract. If the resulting contract modification involves a price adjustment that exceeds the TINA threshold, certified cost and pricing data may be required per FAR 15.8. (The Commander, DCMC shall approve any ACO request for certified cost and pricing data, unless specifically required under TINA.)

(2) If the review reveals that the implementation cost is equal to the savings realized, or the savings are immaterial on existing contracts, a block modification may be used to implement the change at no cost to the Government. Consideration should be determined based on normal business judgment which could include the absolute dollar value, as well as the dollar value of savings as measured against the overall contractor sales base. Under some circumstances, consideration flowing to the Government may be other than monetary consideration. ACOs must apply good business judgement following a full review of each concept paper or proposal and the factors involved.

(3) In order to ensure the government realizes savings on future contracts and contract modifications, contractor proposals should address forward pricing rate reductions. The ACO and auditor should review the adequacy of the proposed rate reductions for use and incorporation in forward pricing rates.

(4) The overall objective should be to reduce the administrative burden as much as possible, yet still satisfy customer requirements. Once the ACO has selected the appropriate course of action (block changes, individual modifications or a combination of the two), the proposed actions should be presented to the Management Council for concurrence.

5. MANAGEMENT COUNCIL OVERSIGHT: The Management Council structure at each CAO will help to facilitate the review and disposition of common process proposals. The Council membership should include DCMC and DCAA representatives, as well as representatives from key customer buying activities. Generally, representation on the Council should account for at least 80 percent of the customer buying activity business base impacted by the process change. Upon reaching agreement at the Management Council level, any other buying activity/program management office customers must be advised of, and concur with, the process change.

DRAFT CHARTER
BLOCK CHANGE MANAGEMENT TEAM

RESPONSIBILITIES

1. Encourage contractors to submit change proposals .

The DoD letters direct the ACOs to encourage contractors to submit block changes. The team will be responsible for developing methods to facilitate early field office comprehension of the common process/block change policy and procedures because the first message needs to be consistent, consistently stated, and stated as quickly as possible. Specifics follow.

A. Develop a standard letter for ACOs to use in encouraging contractors to submit common process concept papers.

B. Develop a “road show” package for DCMC personnel (briefing charts, script, handouts, etc) that explain the DoD objective in the common/process block change policy, the purpose of block changes, the benefits to contractors, success stories from others who have already done it, the process, etc.

C. Develop mechanisms to enable ACOs to continue to spread the message and encourage submittals after the team’s departure.

2. Provide assistance to ACOs in processing/negotiating block changes.

A. Stand up “SWAT teams” that are capable of assisting ACOs in processing/negotiating block changes. SWAT teams should be teams of DCMC technical and business experts who can give advice or go on-site to assist in analysis and negotiations.

B. Facilitate interactions with customers to get approval for common processes and block changes.

C. Develop networks to enable ACOs to find assistance after SWAT teams are disestablished.

3. Refine guidelines for processing/negotiating block changes.

A. Amend/expand guidelines for processing/negotiating block changes as needed to respond to experiences and lessons learned.

B. Develop one book chapter for common process/block changes.

4. Keep DCMC Commander, OSD, and the SAEs informed of progress.

A. Develop and submit required reports to OSD. The DoD letter requires quarterly reporting of progress from the DCMC Commanders. Develop report format, put in place collection procedures for the field, gather data, and submit reports.

B. Submit “weeklies” (weekly status reports) to the SAEs. Reports should concentrate on the places where SAE involvement and encouragement would be worthwhile.

5. Monitor execution in field.

A. Keep in touch with CAOs to cheerlead, remove barriers, etc, but

B. Do not burden the field with extraneous reporting requirements.

6. Go out of business within 9 to 12 months.

A. Develop plan to institutionalize processing/negotiating block changes within DCMC.

B. Get plan approved and execute it.

MILESTONES

Develop standard letter	NLT 5 Jan
Develop road show	NLT 15 Jan
Do road shows	15 Jan - 15 Mar
Stand up SWAT teams	NLT 31 Dec
Develop reporting requirements	NLT 15 Jan
Rest TBD by team	

MEMBERS

Mr. Mike Vezeau (DCMC) — Lead	TBD (OSD)
Ms. Jane Curtis (DCMC)	TBD (Army)
Mr. Syd Pope (DCMC)	TBD (Navy)
Mr. Dave Robertson (DCMC)	TBD (Air Force)
Ms. Josephine Ross (DCMC)	TBD (DCAA)
Mr. Mike Dudley (DCMC)	TBD (DoD IG)
MAJ Jack Econom (DCMC)	TBD (DLA)
Ms. Pat Matura (DCMC)	

DCMC team members to round up TBD members. Also to augment with DCMC field personnel if necessary.



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH DEVELOPMENT AND ACQUISITION
103 ARMY PENTAGON
WASHINGTON, D.C. 20310-0103



21 DEC 1995

SARD-PP

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Common Process Facilities Initiative

References:

a. Secretary of Defense memorandum, December 6, 1995, subject: Common Systems/ISO-9000/Expedited Block Changes.

b. Under Secretary of Defense (Acquisition and Technology) memorandum December 8, 1995, subject: Single Process Initiative.

The referenced memoranda (copies enclosed) move the common process facilities initiative forward another step. In addition to using common processes for all future contracts to be performed in a particular facility, Secretary Perry wants to begin incorporating such processes into current contracts.

This "block change" process is described in the attachment to reference b. As it applies to Army activities, the process is --

-- Upon receipt of a contractor's proposal for streamlining specifications and standards and establishing common processes, the Defense Contract Management Command (DCMC) will so notify the contractor's largest Army customer.

-- That Army activity, whether Program Executive Officer or buying command, will designate an Army team leader to assist the Deputy Assistant Secretary of the Army (Procurement) (DASA (P)) in representing all Army customers in the evaluation of the contractor's proposal. The designated Army team leader shall also sit, along with the DASA (P), on the management council established to evaluate the proposal.

-- The DCMC will notify all Army customers of the identity of the designated Army team leader.

-- The Army team leader shall notify the DASA (P) of the designated team leader.

-- The Army team leader shall coordinate proposal evaluation and acceptance efforts with all affected Army customers and the

DASA (P), to include authorizing the DCMC to execute block modifications to Army contracts either with or without equitable adjustments.

-- In coordination with the DASA (P) the Army team leader has the authority to resolve disagreements between various affected Army customers, and to develop the Army position on disputed issues.

The common process facility initiative has significant potential for future cost savings and, in many cases, for reducing the cost of current contracts as well. The Army is firmly committed to exploiting this potential for cost savings, and I expect that all Army participants in this effort will do their best to make it succeed.

If you have any questions, contact either COL Lee Thompson, DSN 761-7569 or Mr. Curtis Stevenson, DSN 227-2630.

A handwritten signature in dark ink, appearing to read "Gilbert F. Decker", written in a cursive style.

For Gilbert F. Decker
Assistant Secretary of the Army
(Research, Development and Acquisition)

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-1

This is the first in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

THE SINGLE PROCESS INITIATIVE

BACKGROUND: On December 8, 1995, Secretary of Defense William Perry and Under Secretary of Defense for Acquisition and Technology Paul Kaminski announced implementation of the Single Process Initiative (SPI). SPI transitions contractor facilities from multiple government technique management and manufacturing systems to the use of common, facilitywide processes. Using a "**block change**" **modification approach, SPI unifies requirements in existing contracts on a facility-wide basis**, rather than on a contract-by-contract basis.

The role of DCMC and its Administrative Contracting Officers (ACOs) is crucial to the success of SPI. Secretary of Defense Perry directed that the ACO assigned to a facility be the single point of contact for this effort. ACOs will lead the coordination and negotiation of contract modifications (Block Changes) to existing contracts for contractor concept papers/proposals. The contractor must propose and substantiate SPI common processes. However, industry, the military services, the Defense Contract Audit Agency (DCAA), and DCMC must work together and work quickly to take advantage of this initiative,

SPI is the key to DoD Acquisition Reform efforts: it provides a method to implement acquisition reform goals in contracts today. It is intended to reduce contractor operating costs and achieve cost, schedule, and performance benefits for the government. The benefits of SPI are more efficient, consistent, stable processes: with greater ease of contract administration for both contractor and government; and savings for the taxpayer.

AUTHORITY AND IMPLEMENTATION DIRECTION: Authority and implementation direction for this initiative is provided in:

1. SECDEF memo, Common Systems/ISO9000/Expedited Block Changes, December 6, 1995;
2. USD(A&T) memo, Single Process Initiative, December 8, 1995;
3. DCMC memo, Adoption of Common Processes at Defense Contractor Facilities, December 11, 1995;
4. ASA(RD&A) [Army] memo, Common Process Facilities Initiative, December 21, 1995;
5. SAF(AQ) [Air Force] memos, Common Systems/ISO9000/Expedited Block Changes, January 3, 1996, and Implementation of the Single Process Initiative, March 20, 1996;
6. ASN(RD&A) [Navy] memo, DON Implementation of Department of Defense Policy on Single Process Initiative, February 5, 1996;
7. DCAA memos, Participation in the Common Process Initiative, January 30, and February 16, 1996;
8. DLA-MMPOA memo, Adoption of Common Processes at Defense Contractor Facilities, February 29, 1996.

BLOCK CHANGE MANAGEMENT TEAM: A Block Change Management Team has been established at DCMC Headquarters in Fort Belvoir, Virginia , to assist ACOs and other DCMC functional specialists in the review of contractor concept papers/proposals. The team includes representatives from the Office of the Secretary of Defense, Military Departments, Defense Logistics Agency, Defense Contract Audit Agency and Office of the DoD Inspector General. Team members are listed below:

NAME	ORGANIZATION	PHONE*	FAX*	E-MAIL ADDRESS
Adams, Chuck COL	DUSD (AR)	697-6398	614-1690	adamscj@acq.osd.mil
Bauer, Jim	DCMC-AQO	767-2471	767-2409	james_bauer@hq.dla.mil
Beitsch, Stan	DCMC-AQOD	767-3370	767-2379	stanley_beitsch@hq.dla.mil
Bradley, Ryan	SAF/AQRE	695-4980	697-4936	bradley@aqpo.hq.af.mil
Brown, Richard	OSD-DDP	695-7249	695-1142	brownrg@acq.osd.mil
Childers, Jim	DCMC-AQO	767-2416	767-2409	jim_childers@hq.dla.mil
Doherty, Frank	OSD-DTSE&E	695-2300	614-9884	fdoherty@acq.osd.mil
Dudley, Mike	DCMC-AQCI	767-3422	767-2379	mike_dudley@hq.dla.mil
Eck, David	DCAA	767-3290	767-3234	deck@hq1.dcaa.mil
Econom, Jack MAJ	DCMC-AQOG	767-3363	767-2409	john_econom@hq.dla.mil
Harris-Harpe, Marilyn	DASA (P)	681-9318	681-7583	harrism@sarda.army.mil
Harvey, Veronica	DoD IG	604-9184	604-9808	vharvey@dodig.osd.mil
Massaro, Mary	DLA-MMPOA	767-1366	767-1370	mary_massaro@hq.dla.mil
McDonnell, Tom	DCMC-AQAS	799-5214	767-7459	thomas_mcdonnel@hq.dla.mil
Petroka, Bob CDR	ASN (RD&A) ARO	602-0136	602-5481	Petroka_Bob_CDR@asndad.acq-ref.navy.mil
Phillips, Thirston	DCMC	799-5216	767-7459	thirston_phillips@hq.dla.mil
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Wray, Clyde	DCAA/PSP	767-3290	767-3234	cwray@hq1.dcaa.mil
Cheatham, Charlie	DCMDW	310-335-4250	310-335-3641	ccheatham@link.dcmdw.dla.mil
Cox, Jim	DCMDS	770-590-6635	770-590-2091	jacox@dcmds.dla.mil
Hurley, Chuck	DCMDE	617-753-4080	617-753-3207	churley@dcrb.dla.mil

Area code is "703" unless otherwise stated.

As was stated earlier, this is the first in a series of SPI information sheets. We will issue several more in the next few weeks to provide information on a number of topics related to this initiative. Please circulate widely. Please contact me at (703) 762471, or any team member listed above, if you have any questions concerning the Single Process Initiative.

(Signed)
JAMES L BAUER
 Team Leader
 Block Change Management Team

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-2

This is the second in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

GUIDELINES FOR PREPARING A CONCEPT PAPER

Open communication is the key to preparing a successful concept paper. Before pen is put to paper, there should be open discussion between the contractor, the customer, Defense Contract Audit Agency(DCAA), and the DCMC Contract Administration Office(CAO) to explore the viability of the proposed change.

It's important to note, up front, that Government representatives should encourage and help the contractor with development of the concept paper. However, it is up to the contractor to prepare and submit concept papers.

Concept Papers should be brief, yet definitive. There is no specified page count, generally they have run four to five pages in length. Concept papers should specifically identify the existing contractual requirement that is to be replaced or modified. Papers should also identify contracts and customers impacted if the paper is approved. When the contractor submits the concept paper to the CAO, each respective customer Program Executive Officer or Program Manager (or designated representative), and the Block Change Team must be notified of the submission and subsequent status.

The success of the Single Process Initiative depends greatly upon the speed with which the block change is implemented. Therefore, the 120 day period specified in Under Secretary of Defense (Acquisition and Technology) Dr. Kaminski's December 8, 1995, SPI memo is a goal that must be respected. There should be early interface between industry and the Government before a concept paper is submitted. However, once the CAO receives a concept paper, regardless of whether the paper is acceptable or definitive, the "clock" begins to tick. The clock cannot stop nor restart while waiting for an acceptable or definitive paper. CAOs should report receipt of the concept paper as soon as it is received and use the remainder of the initial 30 day period to obtain additional data as needed. Disagreements should be escalated up the chain of command.

A "definitive" concept paper includes the elements needed to effectively evaluate a

proposed change and allow rapid judgement by the Administrative Contracting Officer (ACO).

These elements include:

1. A description and short summary of the process to be considered.
2. Methodology to move to the proposed common process and a schedule for transition. How will the contractor implement the process? How does the contractor propose to maintain quality and schedule during the transition?
3. A summary of the proposed metrics that will be used to measure effectiveness and compliance. How will the contractor demonstrate acceptability and reliability (technical feasibility) of the process?
4. Rough order of magnitude cost benefit analysis (to include current and future costs and savings). Will implementation be advantageous (cost effective) to the Government ?
5. Impact on existing contracts and an assessment of future impacts. What is the impact (Program risk) to the Government and the contractor if the proposal is approved/disapproved ?
6. An assessment of changes required in the Government's involvement in the process.
7. Required regulatory/contractual changes.

The description should be in sufficient detail to enable the Government to determine if a more detailed cost impact proposal for current contracts will be required. If the contractor provides a "definitive" concept paper, a formal proposal is not needed and it is possible to move directly from the Proposal Development Phase outlined in Dr. Kaminski's memo to the first step in the Approval Phase.

It's important to remember that a concept paper can come in many different formats and styles because it needs to be tailored to the specific process and situation prevailing at that location. The elements listed above are to be used only as a guideline. The fact that some elements listed above may not be included in a particular concept paper does not make the paper inadequate. It is expected that additional information can be supplied during the review process. The bottom line is: time is money. Do not let preconceived ideas or checklists block the Block Change process.

As was stated earlier, this is the second in a series of SPI information sheets. We will issue more in the next few weeks to provide information on a number of topics related to this initiative. Please circulate widely. Questions concerning the Single Process Initiative can be addressed to myself at (703) 7672471 or DSN 427-2471, or Mr. Jim Childers at (703) 767 2416 or DSN 427-2416.

(Signed)
JAMES L. BAUER
Team Leader
Block Change Management Team

April 22, 1996 file: spiinfo3.wpd

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-3

This is the third in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

CONSIDERATION AS IT APPLIES TO THE SINGLE PROCESS INITIATIVE

Regarding the Single Process Initiative, Under Secretary of Defense for Acquisition and Technology Dr. Paul Kaminski has reiterated the fact that the Government is entitled to consideration when there are one sided savings in the process. At a January 18, 1996 conference, Dr. Kaminski made the following statement:

..., it's my intention to obtain consideration when there are one-sided savings in the process. For most contracts that we have in place, there will be bilateral cost avoidance -- that is, the savings will be passed directly to the government; and, in the end, to the taxpayer. This occurs on cost reimbursable contracts and cases where we have priced options that can be renegotiated. In the case of longer term fixed price contracts, there is a possibility of what I would describe as unilateral cost avoidance-savings would be realized by the contractor but the contract's fixed price structure has no mechanism to automatically pass along these savings to the government. In these unilateral cases, we would seek consideration either nonmonetary or as adjustments to the contract prices."

For DCMC purposes, acceptable forms of consideration have not changed as a result of SPI policy. DCMC Administrative Contracting Officers (ACOs) deal with contractual issues and situations involving consideration on a daily basis. ACOs will continue to follow the applicable laws, regulations and policies they have always adhered to. ACOs should continue to seek consideration, when appropriate, in the prescribed manner they have used in the past. For informational purposes, the following general principles are reiterated as they apply to consideration:

1. As a general statement, courts, boards and the GAO have held that the government may not give up something it has bargained for without receiving consideration. The adequacy of consideration is generally left to the discretion of the

Contracting Officer, although internal oversight organizations have reviewed, and occasionally criticized, Contracting Officers over the exercise of this discretion.

2. Consideration may take several forms. For example, consideration may be taken as reduced prices on current contracts, it may be taken as a cash refund to the government, it may be taken as a credit against existing claims, or it may be taken as a credit against contingent liabilities, etc. Some of the consideration coming from a modification that moves to a single process in a facility may be in the form of intangible benefits such as improved efficiency translating into lower operating costs and cost savings for both the contractor and the Government. These benefits, while difficult to quantify on a contract by contract basis, could form part of the consideration for block change modifications. How consideration is taken is a matter left to the sole discretion of the Contracting Officer. The Contracting Officer is limited in fashioning a solution to the issue of consideration to what is in the best interests of the Government, his/her creativity, and the willingness of the contractor to negotiate the issue.

Note: Contractors may offer consideration in the form of goods or services. Done properly, this can be an effective and appropriate method of obtaining consideration. In fact, this method is nothing new nor different from what has been used in the recent past. However, **care must be taken to avoid** augmentation of appropriations. It is recommended that consideration of this sort be closely coordinated with customers (PCOs) and District SPI Points of Contact or SWAT Team members (Legal, ACOs, Cost and Price Analysts, etc.).

3. Consideration is normally recited in contracts and modifications to contracts. The parties should spell out in all block change modifications the consideration they have agreed to, which includes the tangible and intangible benefits the parties expect to receive by moving to the common process. For example, the modification could detail the mutually agreed to level of performance commensurate with the replaced mil spec or standard. Any contractor monitoring, data accumulation, reporting or start up/transition efforts could also be described. Contracting Officers should use good judgment and sound discretion in determining the adequacy of consideration (benefit) and how best to describe it in the modification.

As was stated earlier, this is the third in a series of SPI information sheets. We will issue more in the next few weeks to provide information on a number of topics related to this initiative. Please circulate widely. Questions concerning the Single Process Initiative can be addressed to myself at (703) 767-2471 or DSN 427-2471. or Mr. Jim Childers at (703) 767-2416 or DSN 427-2416.

(Signed)

JAMES L. BAUER

Team Leader

Block Change Management Team

April 29, 1996 file: spiinfo4.wpd

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-4

This is the fourth in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

THE SINGLE PROCESS INITIATIVE AND THE JOINT LOGISTICS COMMANDERS' ACQUISITION POLLUTION PREVENTION INITIATIVE

The Joint Logistics Commanders' Joint Group on Acquisition Pollution Prevention (JGAPP), chartered in September 1994, has many objectives that compliment the Single Process Initiative (SPI). The JGAPP focuses on identifying common manufacturing processes across multiple component contracts that reduce and/or eliminate hazardous materials from major weapon systems. This results in environmental benefits and cost savings and avoidances throughout the weapon system lifecycle. Also, the JGAPP initiative is dependent upon block contract changes for cost effective implementation.

The JG-APP was established to ensure the development of a methodology for identifying, approving, and implementing pollution prevention opportunities across both military service and contractor facilities in acquisition of major weapon systems. Their goal is to reduce duplicative efforts and costs from multiple, uncoordinated pollution prevention projects within individual components and the private sector. The JGAPP has worked to develop common priorities and goals throughout DoD and develop a contract change process to provide cost efficient and timely adoption of commercially available alternatives. The JGAPP has also worked to meet DoD's hazardous material release goals and stem the flow of resources to environmental compliance and restoration.

The JG-APP focused its effort on current contractor design and manufacturing operations and linkages with system users and maintainers. A five phase methodology establishing partnerships among Program Managers (PMs), contractors and DCMC Contract Administration Offices (CAOs) was developed and seven pilot programs initiated at contractor sites involving multiple component systems and multiple products. Current pilot sites include McDonnell Douglas, St. Louis, MO; Texas Instruments, Dallas, TX; Pratt & Whitney, West Palm Beach, FL; Hughes, Tucson, AZ; General Electric, Evandale, IN; and Boeing, Seattle.

The JG-APP methodology begins with voluntary participation by a major weapons system contractor and the Joint contractor/CAO identification of opportunities for potential benefits. PMs are then brought together with the contractor and the CAO to determine those identified opportunities best meeting their needs and providing the highest likelihood of success. Once everyone is onboard, technical representatives (both government and contractor) meet to further focus on materials and processes, specifically to determine what criteria a substitute material or process must pass to meet system performance standards. A Joint Test Protocol is developed which describes the laboratory and field testing requirements a qualified substitute must pass independent of existing standards and specifications (in effect a commercial standard). An agreement is then signed by each PM and the contractor(s) involved to accept the results of this testing.

The next phase is the development of a Business Strategy. PM and contractor business representatives

are brought **together to review each identified process opportunity, its benefits (both environmental and cost), testing costs, and available funding scenarios.** The basic **determinations are who (PM and contractor)** will bear what share of the cost, and what contract vehicle will be used. Products include a statement of tasks and a signed funding agreement. After performance of tests and selection of an alternative material/process, **an implementation plan is developed for both contractor and users/depots. Necessary contract modifications are** handled as block changes. This entire process may take from a few months to two years dependent upon the time necessary for testing.

Both system user and depot communities are kept informed throughout the process to reduce duplication of existing efforts and properly gauge potential cost savings/avoidances. Also the results of the testing are shared with all potential government and commercial beneficiaries and various industry associations through publication of a Joint Test Report on the World Wide Web.

The similarities between the JGAPP process and SPI are many; the JG-APP and CAOs must be alert to where the initiatives intersect. At times, pollution prevention opportunities will be identified that do not require extensive testing. In these cases, direct transfer to SPI procedures may be the best route. Also, once successful pollution prevention process improvement opportunities have passed all tests, they can then be transferred to SPI procedures for rapid block change. At Texas Instruments, for instance, outdated military specifications required the company to use High Volatile Organic Compound (VOCs) paints in both primer and top coat applications while more environmentally friendly substitutes had already been approved for depot maintenance operations. A concept paper/proposal was prepared using the SPI methodology and including component technical approvals. A block change modification was signed April 4, 1996, impacting 151 contracts. As a result, Texas Instruments was able to reduce their release of VOCs by as much as 88%. Further, the increased cost of purchasing outdated paint products will be avoided.

The success of the pollution prevention initiative is heavily dependent upon the partnering relationships established between components, contractors, DCAA, and DCMC contracting and technical personnel. Because of this relationship, the Pollution Prevention and SPI processes can be interwoven, and duplication of effort can be eliminated. CAO Management Councils should become knowledgeable of Acquisition Pollution Prevention initiatives at their sites. As the pollution prevention initiative progresses from a few pilot sites to full implementation DCMC-wide (plans to expand from the current seven pilot sites have not been finalized at this time), CAO Management Councils should be used wherever possible to effect coordinated action among the components, contractors, DCAA, and DCMC. The benefits of effectively linking the Single Process and Acquisition Pollution Prevention initiatives are more efficient, consistent, environmentally benign, stable processes; with greater ease of contract administration for both contractor and government and savings for the taxpayer.

As was stated earlier, this is the fourth in a series of SPI information sheets. We will issue more in the next few weeks to provide information on a number of topics related to this initiative. Please circulate widely. Mr. Ken Siler is the point of contact for questions concerning pollution prevention. He can be reached at (703) 767-3412 or DSN 427-3412. Questions concerning the Single Process initiative as it relates to this issue should be addressed to me at (703) 767-2471 or DSN 427-2471, or to Mr. Mike Dudley at (703) 767-3422 or DSN 427-3422.

(Signed)

JAMES L. BAUER
Team Leader
Block Change Management Team

PART 42

CONTRACT ADMINISTRATION

SUBPART 42.2 - ASSIGNMENT OF CONTRACT ADMINISTRATION

42.202 Assignment of contract administration.

(a)(90) When a contracting activity makes an award having a dollar value of \$10,000 or more to a small disadvantaged business (SDB), whether for the first time or for an item not previously purchased from the SDB, the award will be assigned for administration to the appropriate contract administration office (CAO). (See (d)(2)(92) below.)

(91) To implement the direction of the Secretary of Defense, December 6, 1995, and the Under Secretary of Defense (Acquisition and Technology), December 8, 1995, concerning single process/block changes, such changes to technical or management requirements in DoD contracts shall be accomplished as follows:

(A) When a contractor volunteers to participate in the single process initiative, the ACO shall organize a management council consisting of CAO, DCAA, key DoD customers (notionally defined as those representing 80% of the total dollar value of affected DoD contracts at the contractor's facility), and contractor personnel to perform an initial review of the adequacy and reasonableness of the contractor's single process concept with regard to that facility. Technical feasibility (including the impact on quality, maintenance, schedule, etc.), cost effectiveness, and program risk will be addressed during the council's preliminary review. A "rough order of magnitude" cost-benefit analysis will then be performed, sufficient to permit a determination whether the proposed changes can be approved, and contracts modified, on a no-cost, block change basis. The form/ single process proposal shall be reviewed and approved by the management council prior to the issuance of block modifications to existing contracts by the ACO.

(B) When DLA has contracts at a contractor's facility where a single process proposal has been submitted by the contractor, the following procedure shall be followed:

(1) If an ICP has a sufficient dollar value of contracts to warrant its participation as a key customer in the management council established to review single process proposals at a contractor's facility, or if its participation in the management council is otherwise considered necessary and appropriate, the ACO shall request, and the ICP shall designate, in writing, an individual to serve

as its representative on the management council. The representative shall be a senior member acquisition workforce. The ICP's management council representative shall be empowered to speak on behalf of the ICP's contracting officers having cognizance of affected contracts. He/she shall request assistance, as necessary, from technical and other subject matter experts whenever a concept paper or proposal is submitted.

(2) Each ICP shall also designate, in writing, a senior member of its acquisition workforce as its team leader for single process initiative issues ("SPI team leader"). In the absence of ICP representation on the management council, the SPI team leader shall be responsible for reviewing and making recommendations on the acceptability of concept papers or proposals referred to the ICP by the ACO. (This will typically occur when there are contracts with one or more DLA ICPs at the affected facility, but the Agency is not considered a "key customer, " as defined above.) The SPI team leader shall be presumed to provide a coordinated delegation of authority for effecting block changes to the applicable DCMC component from cognizant contracting officers. Additionally, he/she may consult, as necessary, with appropriate technical and other subject matter experts prior to providing the ICP's concurrence with the proposed single process change. The SPI team leader shall be authorized to resolve disputes among that activity's contracting officers regarding concurrences/nonconcurrences with concept papers or proposals.

(3) If an ICP has the largest total dollar value of, but not the only, DLA contracts with a contractor submitting a concept paper or proposal, its management council representative (or, if the ICP has no representation on the management council, its SPI team leader) will be considered the DLA component team leader with regard to the process proposal. He/she must brief, solicit recommendations from, and achieve consensus with the other affected ICPs' SPI team leaders on the acceptability of the single process concept and proposal. This individual shall then speak on behalf of the entire Agency. When consensus cannot be reached between and among the affected ICPs, disagreements shall be elevated by the DLA component team leader, and shall be resolved by MMP.

(4) Notwithstanding that the single initiative/block change process is strongly supported at the highest levels of DoD, appointment of a DLA component team leader, ICP SPI team leader or ICP management council representative does not relieve the contracting officer of accountability for programs and contracts under his/her cognizance. Therefore, a contracting officer may appeal to MMP any single process proposal decision he/she considers antithetical to the Government's best interests, and, if necessary, may carry that appeal through MMP to the Defense Acquisition Executive or his/her designee.

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-5

This is the fifth in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

THE ROLE OF THE MANAGEMENT COUNCIL IN THE SINGLE PROCESS INITIATIVE

The role of the DCMC Contract Administration Office (CAO) Management Council is crucial to the overall success of the block change process. The primary role of the Management Council is to (i) facilitate constructive discussion regarding the general acceptability of the contractor's concept paper as a working document, (ii) assure that the interests of the contractor's entire government customer base are considered, (iii) analyze the merits and cost benefits of the proposed process change, and (iv) advise the Administrative Contracting Officer (ACO) regarding the appropriateness of entering into a Memorandum of Agreement (MOA) with the contractor when the proposed process change does not require a contract modification. Each Management Council should be comprised of senior level representatives from the CAO, the cognizant Defense Contract Audit Agency (DCAA) office, the contractor and subject matter experts from affected key customers. Key customers notionally represent 80% of the total unliquidated obligation dollar value of contracts. The Management Council is the forum to discuss and understand everyone's position, reach consensus on block changes, and manage operational improvement activities related to Reinvention Labs, Process Oriented Contract Administration Services (PROCAS) and other partnering initiatives.

The CAO should use the Integrated Product Team (IPT) concept in establishing and operating the Management Council. A CAO with responsibility for many contractors (former DCMAOs) should structure the Management Council to meet the needs of key contractors and customers based on the nature of the concept papers received. The Management Council may be restructured to meet the needs of other customers and contractors as they submit concept papers. The CAO should not attempt to pre-screen the contractor base for SPI-related activities or communications even in an office with predominately small contractors located throughout a large geographical area. A "standard letter" for ACOs to send to contractors has been forwarded to each CAO and should be sent to all contractors. The goal is to maximize SPI participation. After the ACO letter is sent to contractors, follow-up contacts should be made with contractors where multiple manufacturing or management processes exist (based on the knowledge of any CAO specialist).

Our success as the DoD SPI focal point depends greatly upon the speed with which block changes are executed. Therefore, the 120-day period specified by the Under Secretary of Defense for Acquisition and Technology, Dr. Kaminski, is a goal that the Management Council must work toward.

As such:

1. Management Councils should report the receipt of each concept paper as soon as it is received and use the remainder of the initial 30 day period to obtain additional supporting data as needed.

2. The initial CAO Management Council review of a concept paper should address the acceptability of the document in terms of its content of information needed to effectively evaluate the proposed process change and allow rapid judgement by the ACO (See SPI Information Sheet 96-6).

3. The customers should perform the detailed evaluations of the contractor's proposed technical and business processes with assistance from DCMC during the approval phase of the 120 day period.

The preferred process follows: When the contractor submits a concept paper to the CAO, it is first distributed to the Management Council. The ACO, with advice from the Management Council, will make a **rapid** decision on the viability of the proposed change. The DCAA field office will provide any financial advisory and audit services needed by the ACO to review concept papers. If the concept paper has merit, it moves to the approval phase where the Management Council requests that a Component Team Leader (CTL) be designated from the largest dollar value customer within each affected component. During this phase, the procedure is for the Management Council to request a CTL from each affected component; however, experience indicates that it is advisable to begin the process of obtaining a CTL in the proposal development phase immediately upon receipt of a concept paper. See SPI Information Sheet 96-6 for more on CTLs. The CTL should serve on the Management Council and coordinate consensus among the component's affected customers. Request letters for CTLs should be submitted to the respective Army PEO or buying command, Air Force Single Manager, Navy PEO/PM, DLA Inventory Control Point, and NASA, as appropriate.

The Management Council must be in frequent communication at the local level to assure issues are worked quickly. Disagreements between customers within and between components should be worked out as early in the process as possible. SPI SWAT teams are available to assist Management Councils when needed. The successive levels of conflict resolution are:

1. CAO Management Council;
2. The Component Team Leader responsible for coordinating a block change proposal;
3. Component Acquisition Executive (for internal component disagreement), and then;
4. Defense Acquisition Executive (for DoD component disagreements).

Conflict resolution between DoD components should occur within the 120 day time period specified in Dr. Kaminski's memo. [Note: This pertains to disagreements between DoD components, not between the Government and the contractor. The SPI process does not include a contractor appeal process if Government representatives agree that a proposal is not acceptable.]

Please circulate widely. Questions concerning the Single Process Initiative can be addressed to myself at (703) 767-2471 or DSN 427-2471, or Mr. Mike Dudley at (703) 767-3422 or DSN 427-3422.

(Signed)

JAMES L. BAUER
Team Leader
Block Change Management Team

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-6

This is the sixth in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

THE ROLE OF THE COMPONENT TEAM LEADER (CTL) IN THE SINGLE PROCESS INITIATIVE (SPI)

The SPI implementing guidance issued by the Under Secretary of Defense for Acquisition and Technology, Dr. Kaminski, designates DCMC as the lead facilitator and builds the block change process on existing structures within the Military Service Components and the Office the Secretary of Defense. Dr. Kaminski designed the process to create a sense of urgency in streamlining processes with emphasis on early customer involvement and interface. To accomplish this objective, the DCMC Management Council, upon receipt of a concept paper will advise the Administrative Contracting Officer (ACO) on the viability of the proposed process change to enable the ACO to make a rapid judgement. If the concept paper has merit, it moves to the approval phase where the Management Council requests that a CTL be designated from the largest dollar value customer within each affected component. In the case of NASA contracts, each affected Center Director will designate a focal point to act as the liaison between the DCMC CAO and the NASA project office. Although the procedure is for the Management Council to request a CTL from each affected component during this phase, experience indicates that it is advisable to begin the process of obtaining a CTL in the proposal development phase immediately upon receipt of a concept paper.

Each CTL is responsible, within the respective component, for coordinating and facilitating consensus among all affected component customers; determining the technical acceptability of the proposed block change; and obtaining necessary programmatic authorizations. Each component affected by a concept paper from a prime contractor should have a CTL designated and granted decision authority by the Component Acquisition Executive (CAE) to represent the component customer base. Once designated, the CAO should immediately notify each affected customer of the identity of the CTL. When requested, the CAO should also provide a copy of the concept paper to affected customers. The CTLs and other members of the Management Council work as a team to facilitate the review and approval of concept papers, and ensure a timely block change modification process. The NASA designated focal point serves much like the designated service CTL in receiving the concept paper, ensuring that the concept paper is reviewed by the appropriate personnel, serving on the Management Council, coordinating and advising appropriate NASA personnel, and ensuring that timely responses are provided to DCMC.

The CTL is responsible to elevate internal component issues for resolution, as necessary, through the CAE. Conflicts between different components should be elevated to the Defense Acquisition Executive (DAE) for resolution. Once technical issues are resolved, all affected customers should be notified of the pending process change and PCOs should be furnished a copy of the draft block change modification before it is executed by the ACO. When the proposed change is agreeable to the government but does not require a contractual modification, the ACO should execute a Memorandum of Agreement with the contractor which sets forth the details of the process change. In addition, the ACO should follow applicable laws, regulations and policies in seeking and subsequently negotiating consideration when significant savings will result from the process change. The ACO should continue to use sound business judgement in determining when and how much consideration is appropriate, and how best to describe it in the block change modification. In addition to the consideration agreed to, which sets forth the tangible and intangible benefits the parties expect to receive as a result of implementing a common process, each block change modification should include a listing of contracts impacted by the change. See SPI Information Sheet 963 for more on consideration.

The following guidance has been issued on the designation of CTLs:

1. SECDEF memo, Common Systems/ISO-9000/Expedited Block Changes, December 6, 1995.
2. USD(A&T) memo, Single Process Initiative, December 8, 1995;
3. DCMC memo, Adoption of Common Processes at Defense Contractor Facilities, December 11, 1995;
4. ASA(RD&A) [Army] memo, Common Process Facilities Initiative, December 21, 1995;
5. SAF(AQ) [Air Force] memos, Common Systems/ISO-9000/Expedited Block Changes, January 3, 1996, and Implementation of the Single Process Initiative, March 20, 1996;
6. ASN(RD&A) [Navy] memo, DON Implementation of Department of Defense Policy on Single Process Initiative, February 5, 1996;
7. DCAA memos, Participation in the Common Process Initiative, January 30, and February 16, 1996;
8. DLA-MMPOA memo, Adoption of Common Processes at Defense Contractor Facilities, February 29, 1996; and
9. NASA memo, Acquisition Reform: Single Process/Block Changes, May 17, 1996.

Please circulate widely. Questions concerning the Single Process Initiative can be addressed to myself at (703) 7672471 or DSN 427-2471, or Mr. Mike Dudley at (703) 7673422 or DSN 427-3422.

(Signed)
JAMES L. BAUER
Team Leader
Block Change Management Team

SINGLE PROCESS INITIATIVE DCMC Information Sheet 96-07

This is the seventh in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only- Not Official Policy)

THE MODIFICATION PROCESS

This information sheet describes a recommended process for modifying certain contracts under the Single Process Initiative (SPI). The process allows for the use of a unilateral ARZ Administrative Modification as described in FAR Part 204.7004(c)(5), even though the modification may not necessarily be administrative in nature.

In performing Block Changes to contracts, contractors first submit recommended process changes as Concept Papers. After technical agreement has been reached by all affected parties, the cognizant Administrative Contracting Officer (ACO) can then modify all applicable contracts at a given facility. Authority to do so is provided in the USD(A&T) letter dated Dec 8, 1995, Single Process Initiative. This process is to be used for NO ACTION mods only, that is, modifications that do not change MOCAS data elements. If contracts require equitable adjustments, they should be processed using a separate Supplemental Agreement after negotiations have been concluded.

It is recommended that the block change modification be issued as soon as possible so that the Government and contractor can begin reaping benefits from any cost savings/avoidances. Even in those cases where savings are significant and require further negotiations, the ACO should still issue an initial block change modification and then definitize the action with a Supplemental Agreement as soon as practical thereafter. In such cases, the initial block change modification must contain language that preserves the Government's entitlement to an equitable adjustment or other appropriate consideration.

The modification language should be drafted by the ACO and furnished to the contractor and all affected Procurement Contracting Officers (PCOs) prior to execution. This should be done as early as possible while the Concept Paper is in coordination. Contact your District FASST team representatives for a sample mod before it is drafted.

The ACO should ensure that the Government Legal office reviews the modification as well.

It is recommended that a Memorandum of Agreement (MOA) be drafted that describes the proposed modification and implementation schedule. A list of affected contracts, if different than the entire listing of contracts at a facility, should be attached. After the ACO and the contractor sign the MOA, the Standard Form (SF) 30, Amendment of Solicitation/Modification of Contract, should be coordinated with the DFAS Contract Entitlement Directorate Systems Office, DFAS-JXS and the District FASST. MOCAS will automatically issue the correct ARZ number for each contract. An alternative process is to issue a Bi-lateral Class Modification, but this would require listing the sequential modification number for each contract at a facility.

On the SF-30, please leave block 2, Amendment/Modification No. blank when executing an ARZ modification. In block 10A, Modification or Contract/Order No., cite a reference to the attached list of contracts if necessary. The MOA and list of contracts should be referenced in and included as an attachment to the SF30. Cite the USD(A&T) letter in block 13 as authority for the modification. In block 14, Description of Amendment/Modification, briefly describe the attached MOA between the Government and contractor.

For Concept Papers that do not require contract modifications, a Memorandum of Understanding (MOW) can be drafted and signed by the ACO and contractor to implement the process changes proposed.

Please direct any questions to the Block Change Team at (703) 762-471 or DSN 427-2471.

JAMES L. BAUER
Team Leader,
Block Change Management Team

SINGLE PROCESS INITIATIVE Information Sheet 96-8

This is the eighth in a series of Single Process Initiative (SPI) information sheets. These information sheets are intended to facilitate implementation of SPI and are for internal use by Defense Contract Management Command (DCMC) personnel.

(For Information Only - Not Official Policy)

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA) INVOLVEMENT IN THE SINGLE PROCESS INITIATIVE

NASA is a valued Civilian Agency customer of the Defense Contract Management Command. NASA is also an important partner in the DoD SPI process. On May 17, 1996, Mr. Goldin, NASA Administrator, issued SPI implementing guidance expressing his enthusiastic support for SPI and intent to cooperate with DCMC in the implementation process. Since this time, we have been involved in SPI meetings at NASA Headquarters and their Space Flight Centers.

Our implementing guidance stresses the importance of early customer notification and involvement in processing contractors' concept papers. NASA has requested that they be involved in the concept paper review process at the earliest practical time when NASA contracts are, or may be, affected. Therefore, regardless of the dollar value of NASA contracts, the cognizant NASA Space Flight Center should be invited to participate on the Management Council.

NASA's INTERNAL PROCESS:

Each NASA Center Director has appointed a focal point for implementing SPI. The Center focal point acts as the liaison between the DCMC CAO and the affected NASA project offices; receives the concept papers from DCMC; ensures that the concept papers are reviewed by the appropriate personnel; serves on, or designates, a member to serve on the DCMC Management Council; coordinates with other NASA Centers, as appropriate; and assures a timely response back to DCMC.

For each project/program, the cognizant NASA Contracting Officer (CO), together with the Program Manager, will review each proposed block change for approval. Unless the affected process is required by a NASA Management Instruction or the NASA FAR Supplement, no higher level of approval is necessary. However, any approval must be reviewed by the Center Director. Once the principals agree to the single process, the NASA CO's written approval, including any delegations deemed necessary, will be conveyed to DCMC for implementation within a contract block change.

DCMC PROCESSING OF CHANGES AFFECTING NASA CONTRACTS

If only one or two project offices are affected by a proposed process change, the ACO should invite each of the PMs to participate on the Management Council. If several projects at a single NASA Center are affected, then the invitation should be extended to the designated Center SPI POC who will coordinate a project-by-project response. If more than one Center is affected, then invitations should be extended to each Center POC. Where a Lead Center

relationship exists, a representative of that Lead Center should represent all affected NASA contracts.

MODIFYING NASA CONTRACTS:

The NASA Administrator's May 17, 1996 letter provides authority for DCMC ACOs to modify NASA contracts once the DCMC ACO receives written concurrence from the NASA CO. The ACO can accomplish this using the block change modification process.

CONSIDERATION:

The DCMC ACO will typically develop an estimate of the total consideration due ~~on~~ affected Government contracts. This amount will be apportioned to affected contracts after discussion with Component Team Leaders and the NASA focal point. The DCMC ACO will then negotiate consideration with the contractor.

Please direct any questions to the Block Change Management Team at (703) 762-2471 or DSN 427-2471.

JAMES L. BAUER
Team Leader
Block Change Management Team



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-3010



MEMORANDUM FOR

**SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARY OF DEFENSE (COMPTROLLER)
ASSISTANT SECRETARY OF DEFENSE (COMMAND,
CONTROL, COMMUNICATIONS, AND INTELLIGENCE)
GENERAL COUNSEL
INSPECTOR GENERAL
DIRECTOR OF OPERATIONAL TEST AND EVALUATION
DIRECTORS OF DEFENSE AGENCIES**

SUBJECT: Prime and Subcontractor Relationships in the Single Process Initiative (SPI)

My memorandum of December 8, 1995, provides guidance for making block changes to existing prime contracts. I would like to provide amplification of that guidance for dealing with specification and process changes for prime contractors that are also subcontractors to other contractors.

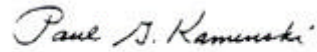
Prime contractors should be encouraged to identify, in their concept papers, candidate government contracts for change implementation on which they are subcontractors. When this occurs, the Management Council receiving the concept papers shall ensure the DoD program/project manager for every prime contract so identified is consulted as part of the technical review of the change by the component team leader. Prime contractors to which the requester is a subcontractor shall also be consulted. The review of the impact of the changes on these sub contracts and prime contracts shall occur concurrently with the normal block change review.

When the Management Council and the prime contractor to which the requester is a subcontractor agree on a change:

- If, as a consequence a government contract must be changed to modify a requirement, the Administrative Contracting Officer (ACO) may send the request for contract modification to the cognizant prime contractor ACO along with an assessment of costs or savings. The prime contractor ACO should modify the contract.
- If the government contract does not require modification because the requested subcontractor change is a prime contractor requirement only, the subcontractor

should be advised to request the change from the prime contractor, without further DoD participation.

None of the actions taken by the ACO should in any way relieve a prime contractor of assuring its subcontractors meet the prime contractors' requirements.

A handwritten signature in cursive script that reads "Paul G. Kaminski".

Paul G. Kaminski